

December 19, 2007

#### Rating Information

Sector Rating	Market Weight
Target Price YE '08	--
Long-Term Growth	10.0%

#### Trading Data

52-Wk Range	\$18.00 - \$26.24
Market Cap.	\$6,449 MM
Shares Out.	352.9 MM*
Dividend Yield	0.8%
Avg Daily Vol.	6,590,000
Float	NA

Source: FactSet; \* BSC Estimates

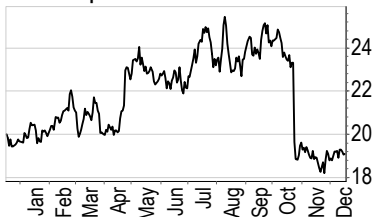
#### Fundamental Data

EV/EBITDA	14.6x
Enterprise Value	\$5,747.2 MM
LT Debt to Total Cap.	0.0%
Book Value	\$3.67*

Source: FactSet; \* BSC Estimates

#### Price Performance Chart

Altera Corp.



Source: FactSet

Securities in this report priced as of:

December 18, 2007 16:00 ET

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## Altera (ALTR-\$19.14-Peer Perform)

### Improved Customer Bookings in December Not Indicative of Better End Demand

- Our channel checks indicate that customer bookings have improved in the first few weeks of December, following a soft November and a strong October. While we expect customer bookings to normally slow as we head into late December, 4Q07 book-to-bill ratio will likely come in around parity and slightly better than our earlier expectation.
- Our checks indicate that revenues from wireless and telecom infrastructure customers have improved further over the last two weeks, after the mid-quarter update, due to increased year-end spending at wireless and telecom service providers. This, combined with steady networking orders from Cisco throughout the quarter, should contribute to communications revenues being up low single digit QoQ in 4Q07.
- Based on the current revenue rate, we expect 4Q07 revenues to be between \$312-\$315M (flat to -1% QoQ), or the upper end of the company's conservative guidance range of revenues flat to -4% QoQ. Additionally, given that the revenue upside is in high-end Stratix FPGAs and coming from higher margin infrastructure customers, we expect a modest increase in 4Q07 gross margin, as compared to the company's guidance of flat QoQ.
- For 4Q07, we are increasing our revenues from \$309.5M (-2% QoQ) to \$314.0M (-0.6% QoQ), gross margin from 63.5% to 64.0% and EPS by \$0.01 to \$0.17. While we are increasing our 4Q07 estimates, the revenue increase is primarily due to year-end budget spending (some inventory build) at end customers and is not driven by better end demand. With limited visibility and backlog coverage, we remain on the cautious side and continue to forecast a below seasonal revenue growth for ALTR in 1Q08. Our 2008 revenues and EPS estimates are unchanged at \$1.34B and \$1.00, respectively.
- ALTR is trading at 21x forward earnings (19x our 2008 EPS) and within our expected valuation range of 18-25x forward earnings. Given the weak PLD industry fundamentals and no real demand catalysts, we continue to stay on the sidelines on ALTR.

#### Sector View: Market Weight

#### GAAP Estimates Post Option Expense †(All values are in USD)

	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Year	P/E
2006	0.16	0.21	0.24	0.27	0.88	21.8x
2007	0.21	0.22	0.20	0.17E	0.80E	23.9x
Previous	0.21	0.22	0.20	0.16E	0.79E	
2008	0.22E	0.26E	0.26E	0.26E	1.00E	19.1x

† All numbers are after stock-based compensation expense, normalized consistent with BSC option expense policy.

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# Altera Income Statement

(\$ in millions, except per share data)

Fiscal Year End: December	1Q06	2Q06	3Q06	4Q06*	2006	1Q07	2Q07	3Q07	4Q07E	2007E	1Q08E	2Q08E	3Q08E	4Q08E	2008E
Total Revenue	292.8	334.1	341.2	317.4	<b>1285.5</b>	304.9	319.7	315.8	314.0	<b>1254.4</b>	322.0	338.0	337.0	341.0	<b>1338.0</b>
% Change Y/Y	10.6%	17.0%	17.0%	12.6%	<b>14.4%</b>	4.1%	-4.3%	-7.4%	-1.1%	<b>-2.4%</b>	5.6%	5.7%	6.7%	8.6%	<b>6.7%</b>
% Change Q/Q	3.9%	14.1%	2.1%	-7.0%		-3.9%	4.8%	-1.2%	-0.6%		2.5%	5.0%	-0.3%	1.2%	
Cost of Sales	97.1	113.3	110.5	107.0	<b>427.9</b>	104.5	113.1	114.4	113.0	<b>445.0</b>	115.9	120.7	119.6	121.1	<b>477.3</b>
Gross Profit	195.7	220.8	230.7	210.4	<b>857.6</b>	200.4	206.6	201.4	201.0	<b>809.4</b>	206.1	217.3	217.4	219.9	<b>860.7</b>
Gross Margin %	66.8%	66.1%	67.6%	66.3%	<b>66.7%</b>	65.7%	64.6%	63.8%	64.0%	<b>64.5%</b>	64.0%	64.3%	64.5%	64.5%	<b>64.3%</b>
SG&A	76.2	76.7	80.8	74.0	<b>307.8</b>	71.8	67.9	66.1	67.2	<b>272.9</b>	65.4	64.9	64.7	64.8	<b>259.8</b>
% Total Revenue	26.0%	23.0%	23.7%	23.3%	<b>23.9%</b>	23.5%	21.2%	20.9%	21.4%	<b>21.8%</b>	20.3%	19.2%	19.2%	19.0%	<b>19.4%</b>
R&D	62.9	63.9	63.6	58.4	<b>248.7</b>	58.5	63.1	71.4	72.8	<b>265.7</b>	67.3	66.9	67.4	68.2	<b>269.8</b>
% Total Revenue	21.5%	19.1%	18.6%	18.4%	<b>19.3%</b>	19.2%	19.7%	22.6%	23.2%	<b>21.2%</b>	20.9%	19.8%	20.0%	20.0%	<b>20.2%</b>
Restructuring Charges						0.0	0.0	0.0	5.0	<b>5.0</b>	0.0	0.0	0.0	0.0	<b>0.0</b>
Operating Income	56.6	80.2	86.3	78.0	<b>301.2</b>	70.2	75.7	64.0	55.9	<b>270.7</b>	73.4	85.5	85.3	87.0	<b>331.1</b>
% Total Revenue	19.3%	24.0%	25.3%	24.6%	<b>23.4%</b>	23.0%	23.7%	20.3%	17.8%	<b>21.6%</b>	22.8%	25.3%	25.3%	25.5%	<b>24.7%</b>
Other Income	12.4	10.8	16.5	18.8	<b>58.6</b>	17.1	18.0	16.2	11.0	<b>62.3</b>	8.5	7.5	7.0	7.0	<b>30.0</b>
Pretax Income	69.1	91.0	102.8	96.9	<b>359.7</b>	87.3	93.6	80.2	66.9	<b>328.0</b>	81.9	93.0	92.3	94.0	<b>361.1</b>
% Total Revenue	23.6%	27.2%	30.1%	30.5%	<b>28.0%</b>	28.6%	29.3%	25.4%	21.3%	<b>26.2%</b>	25.4%	27.5%	27.4%	27.6%	<b>27.0%</b>
Income Taxes	10.4	13.6	15.4	(3.0)	<b>36.4</b>	12.2	13.1	11.2	9.4	<b>45.9</b>	11.9	13.5	13.4	13.6	<b>52.4</b>
Tax Rate	15.0%	15.0%	15.0%	-3.1%	<b>10.1%</b>	14.0%	14.0%	14.0%	14.0%	<b>14.0%</b>	14.5%	14.5%	14.5%	14.5%	<b>14.5%</b>
Net Income	58.7	77.3	87.4	99.9	<b>323.3</b>	75.1	80.5	69.0	57.5	<b>282.1</b>	70.0	79.5	78.9	80.3	<b>308.8</b>
% Total Revenue	20.0%	23.1%	25.6%	31.5%	<b>25.1%</b>	24.6%	25.2%	21.8%	18.3%	<b>22.5%</b>	21.8%	23.5%	23.4%	23.6%	<b>23.1%</b>
No. of Common Shares	367.0	367.1	367.3	368.4	<b>367.5</b>	363.6	359.5	352.6	335.0	<b>352.7</b>	315.0	310.0	307.0	307.0	<b>309.8</b>
<b>GAAP EPS</b>	<b>\$0.16</b>	<b>\$0.21</b>	<b>\$0.24</b>	<b>\$0.27</b>	<b>\$0.88</b>	<b>\$0.21</b>	<b>\$0.22</b>	<b>\$0.20</b>	<b>\$0.17</b>	<b>\$0.80</b>	<b>\$0.22</b>	<b>\$0.26</b>	<b>\$0.26</b>	<b>\$0.26</b>	<b>\$1.00</b>
% Change Y/Y	33.3%	61.5%	48.7%	91.7%	<b>60.0%</b>	31.3%	4.8%	-16.7%	-37.3%	<b>-9.1%</b>	4.8%	18.2%	30.0%	52.9%	<b>25.0%</b>
% Change Q/Q	13.2%	31.3%	14.3%	12.9%		-22.5%	4.8%	-9.1%	-15.0%		29.4%	18.2%	0.0%	0.0%	
<b>Pre Option EPS</b>	<b>\$0.20</b>	<b>\$0.25</b>	<b>\$0.27</b>	<b>\$0.30</b>	<b>\$1.02</b>	<b>\$0.23</b>	<b>\$0.25</b>	<b>\$0.22</b>	<b>\$0.20</b>	<b>\$0.90</b>	<b>\$0.25</b>	<b>\$0.29</b>	<b>\$0.29</b>	<b>\$0.29</b>	<b>\$1.12</b>
% Change Y/Y	17.6%	38.9%	28.6%	57.9%	<b>36.0%</b>	15.0%	0.0%	-18.5%	-33.3%	<b>-11.8%</b>	8.7%	16.0%	31.8%	45.0%	<b>24.4%</b>
% Change Q/Q	5.3%	25.0%	8.0%	11.1%		-23.3%	8.7%	-12.0%	-9.1%		25.0%	16.0%	0.0%	0.0%	

## Notes:

\* 4Q06 reported EPS includes a one-time benefit of \$0.05 per share for the reinstatement of R&D tax credit and the favorable impact of a tax audit settlement.

Source: Company reports and Bear, Stearns & Co. Inc. estimates.

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Gurinder Kalra

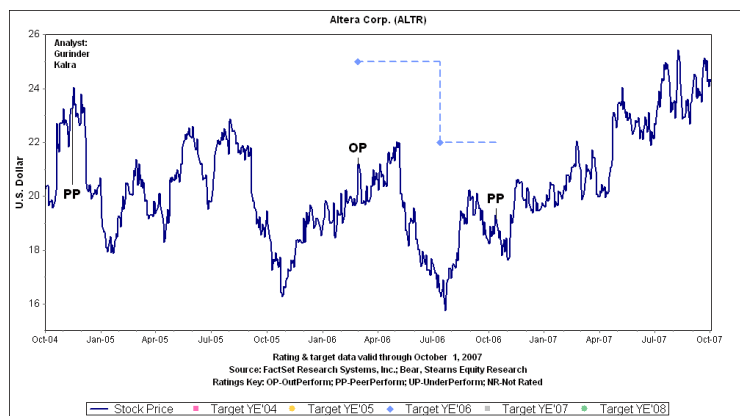
### Companies Analyzed

\* Altera (ALTR) - \$19.14 (as of December 18, 2007 16:00 ET) - Peer Perform

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